Access to Equity Financing
Slovene Equity Growth Investment Programme

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EIF’s Equity Products for NPIs

- EIF has developed new products tailored for NPIs, to complement its traditional fund-of-funds offering:
  - Product set-up and structure are standardised for all participating NPIs to increase time and cost efficiency
  - Specific investment criteria (on financial intermediaries and/or target beneficiaries) can be selected by NPIs to fit policy objective, operational/portfolio restrictions, market needs, and ensure complementarity with other programmes

- New standard products allow NPIs to:
  - Allocate financial resources more efficiently to investments in their target geography / sector
  - Attract to their territory investments by (targeted) fund managers from across EU (i.e. promote investment opportunities to EIF’s fund managers)
  - Customise exposure to end-beneficiaries and define preferred investment parameters
  - Coordinate more efficiently with EIF and other NPIs which have overlapping objectives

- NPI allocations can be deployed using one or a combination of sub-products (e.g. primary fund investment, co-investment and fund underwriting models)
Slovene Equity Growth Investment Programme (SEGIP)

- October 2016: Memorandum of Understanding between EIF and SID Banka
- Spring 2017: EIF Market Research (investee funds and co-investors)
  - Current fund managers needs and constraints
  - Investment Parameters were designed to address both market needs and SID Banka objectives
  - Programme sizing and deployment expectations considered the addressable market size
  - Complementarity with regional investment programmes (e.g. CEFoF)
- October 2017: Finalisation of EIF and SID banka board approvals
- November 2017: Signature of the contract with SID bank and mandate launch
  - Potential investee funds already in EIF pipeline
- H1 2018: Launch of Market Development Call
  - Eligible funds must focus a substantial part of their investments on Slovene SMEs and midcaps
EIF Market Analysis
Deal flow and Company needs

- EIF surveyed 18 fund managers, of which 15 are active in Slovenia
- Fund managers see a potential for total investible deal-flow of ca EUR 65m per year
- Current market environment and nature of SMEs and types of transactions support average **equity tickets of EUR 5-15m** (with individual larger tickets around EUR 25-35m)
- Companies typically have enterprise value ca EUR 15-30m

**Company needs:**
- SMEs (rather than mid-caps) experience the lack of funding
- SMEs require hands-on support (e.g. regional consolidation, management transition, governance)
- Lack of replacement capital, which would facilitate succession of founding entrepreneur
- Larger tickets from individual investors facilitate operations, as it keeps the shareholder base simple
**EIF Market Analysis**

**Types of Fund Managers**

- **Large players**
  - Target companies where they can deploy tickets in excess of EUR 25m (EVs from EUR 30m upwards).
  - This could typically translate to a single deal by each of these GPs every 3-4 years.

- **Smaller regional players**
  - Mainly focused on CEE or Balkan region, aim to invest in a few deals per year in Slovenia.
  - Often small funds that would benefit from co-investment capital.
  - GPs who are mostly through their investment period, a few new entrants (including new spin-out teams from previous fund generations) and funds that have effectively closed down due to inability to raise further capital.

- **Single Country Funds**
  - Typically supported by governments / policy driven investors.
  - Some in the region: Austria, Czech Republic, Croatia.
Investment Programme

Investment Activities:

- **Primary Fund Investments**: investments in funds which have Slovenia as a clear target market, and fit the eligibility criteria set by the programme.

- **Market Development Closed Call**: Primary fund investments specifically designed to target Slovenia-focused investment strategies (min. 50%), Slovenia-focused emerging teams and build local capacity.

- **Co-investments**: New or follow-on funding to existing EIF investee funds, when investing in Slovenia-based companies. Company-level eligibility criteria defined by the programme.

- **Fund underwriting (2nd phase)**: the programme can participate in pan-European or regional funds if /when underlying investment in Slovene target companies materialise.

Main Investment Parameters:

- Eligibility criteria defined by EIF and SID banka
- Focus on growth/expansion capital, limited exposure to early stage and replacement capital
- SMEs and MidCaps
- Substantial exposure to investee companies based/operating in Slovenia
- No excessive leverage
Market impact – Multiplier

Mandate Parameters
- Investment Programme: total size EUR 100m (combined 1:1 EIF and SID Banka participations)
- Expected sub-allocations across the different activities, initially primary funds, closed call and co-investments. :
  - Multi-product approach facilitates optimal support to the market
  - Flexibility to adapt allocations as market demand develops

Deployment and Multipliers
- Investments expected to be EFSI eligible
- Flexibility of EIF to support the programme also with other resources, as needed.
- Additional private sector participation is required for any investment
- Expected fund level multiplier of 4x
- Expected multiplier on company level 15x
Roles of SID Banka and EIF

**EIF – SID Banka relationship**
- SID Banka is a shareholder of EIF, and a founding member of the EIF-NPI Equity Platform
- The programme is structured as a contractual agreement, EIF fiduciary role
- EIF and SID Banka put in place investment parameters to address needs of Slovene SMEs and mid-caps
- EIF and SID Banka invest each 50 mio eur on a pari passu basis, same terms and conditions

**SID Banka as a strong local partner**
- SID Banka acts as a local partner and reference for market intelligence
- Promotes local investment opportunities through access to network of international investors
- With EUR 50m of own funds facilitates equity growth capital of Slovene SME’s and mid-cap companies
- Receives reporting on portfolio developments

**EIF as experienced investor with access to pan-European network**
- EIF screens, approves and manages / monitors the investment until termination
- For the market development closed call, EIF scouts the market and helps new local team and investment fund managers develop (capacity building)
- EIF promotes the programme to its network of regional and pan-European investors
- EIF facilitates enhanced reporting to SID Banka